

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION FREE CONFERENCE COMMITTEE ON SB 111

Call to Order: By **CHAIRMAN BOB DePRATU**, on April 16, 1999 at 2:10 P.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Gerry Devlin (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Roger Somerville (R)
Rep. Dan Harrington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Jyl Scheel, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 111, 4/16/1999
Executive Action: None.

SENATOR DePRATU opened the meeting by asking **Lee Heiman** to explain the amendments.

Mr. Heiman stated **SEN. DePRATU'S** amendments SB011108.alh provide for a three year phase in of intangible personal property that is centrally assessed except those that are 15-23-101 (4) and (5), which are the net proceeds of mines and the gross proceeds of Coal Mines and are exempt from the intangibles tax. Those will be effective immediately with the rest phased in over three years. The first 10% would be exempt for the tax year 2000 and two-thirds would be exempt for tax year 2001. From 2002 and thereafter, it is all exempt. The Department, in the new subsection 4, is to make administrative rules to provide for the

valuation of it. Subsection 5 provides the Department report to the new Revenue and Taxation Committee and to the next session of the legislature.

The Department of Revenue's amendments SB011109.alh are the same with the exception of the phase in. The phase in would start one-third in tax year 2001, two-thirds for tax year 2002 and fully exempt in the year 2003 and thereafter. The rest of the amendments are identical.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 1.9; Comments : None.}

COMMENTS AND QUESTIONS FROM THE COMMITTEE:

SENATOR DEVLIN questioned the Department's amendment and the cost? Is there no cost at all until the next biennium? **SEN. DePRATU** stated that is correct, there is no cost. **SEN. DEVLIN** questioned the cost on **SEN. DePRATU'S** amendment? **SEN. DePRATU** stated the cost would be approximately \$300,000 to the General Fund. He asked the Department to also respond.

Mary Bryson, Director, Department of Revenue, stated that is taking 10% of the estimated \$9.5 million which is approximately \$950,000 and saying the allocation between state government and the local jurisdictions represents about \$300,000 to the state General Fund and \$700,000 to Local Government for a total of about \$1,000,000.

Motion: **SENATOR HALLIGAN** moved that **SB 111 AMENDMENTS SB011109.ALH BE ADOPTED. EXHIBIT(frs83sb0111b01).**

Discussion:

SENATOR HALLIGAN supports the Department of Revenue amendments because the impact on the General Fund is delayed. The next Governor is going to have to develop a budget based on the language in this statute so it is going to be phased in. If we look at the \$300,000 impact now, it is going to come out of someone else's hide. Because of the equal protection issue there is no question there will be a lawsuit if it is not phased in. The responsible thing to do is adopt the Department of Revenue's suggestion for 33% phase in.

SENATOR DEVLIN stated he prefers the amendment by **SEN. DePRATU**. He feels there would be less likelihood of a lawsuit if it is in progress. He feels the Department's amendments are stretched out quite aways.

SENATOR DePRATU stated he resisted the Department of Revenue's amendment. It is important everything is put into place during this legislative session. He feels it sends the proper messages and lessens the chance of lawsuits as we go along. He wants to work with centrally assessed industries. Therefore he will vote against the Department's amendments.

REPRESENTATIVE HARRINGTON supports the Department's amendments and feels those figures should be used. So much has been done and he feels they are still trying to figure out exactly what has been done with all the different figures. He feels it is better to look at this in the interim and see exactly what is going on there.

Vote: Motion that **SB 111 AMENDMENTS SB011109.ALH BE ADOPTED.**
Motion failed 2-4 by Roll Call Vote with **SEN. DePRATU, SEN. DEVLIN, REP. SOMERVILLE, and REP. HIBBARD** voting no.

{Tape : 1; Side : A; Approx. Time Counter : 1.9 - 5.2; Comments : None.}

Motion: **SENATOR DEVLIN** moved that **SB 111 AMENDMENTS SB011108.ALH BE ADOPTED. EXHIBIT(frs83sb0111b02).**

Discussion:

SENATOR DEVLIN stated he feels we need to get this started to ward off any chances of a lawsuit. If we show, in good faith, we are starting the phase in at 10% and then move on, that may thwart any lawsuit that may be forthcoming.

SENATOR HALLIGAN stated there is a need to be cautious, especially with a \$300,000 General Fund impact. He feels it could even be higher than that depending on the rules. He is worried about cutting something we don't want to cut.

SENATOR DePRATU stated he really believes it needs to be set in place now. He is looking to the industries to work with the Department of Revenue as this is worked through over the next three to four years. He believes it is a good bill overall and it needs this clarification. It is also extremely important for main street businesses to get this into place. In the long run it will make it better for the Revenue Department because it is trying to take controversy out that would arise without this being put to bed. He supports the amendment.

Vote: Motion that SB 111 AMENDMENTS SB011108.ALH BE ADOPTED.
Motion carried 4-2 by Roll Call Vote with SENATOR HALLIGAN and
REPRESENTATIVE HARRINGTON voting no.

Motion/Vote: SENATOR DEVLIN moved to ACCEPT THE FREE CONFERENCE
COMMITTEE REPORT ON SB 111 AS AMENDED. Motion carried 4-2 with
SEN. HALLIGAN and REP. HARRINGTON voting no.

SENATOR HALLIGAN questioned when the report would be on the
Board? SENATOR DePRATU stated he did not think there was time to
get it on the Board today so would probably be tomorrow.

REPRESENTATIVE SOMERVILLE asked if the Legislative Audit Division
could look at the implementation of this and include it in their
evaluation of the Department of Revenue to keep the Revenue and
Taxation Committee informed on what is taking place.

Ms. Bryson presented information, for the record, of information
the committee had requested at the morning meeting as per
EXHIBIT(frs83sb0111b03) and **EXHIBIT(frs83sb0111b04)**.

*{Tape : 1; Side : A; Approx. Time Counter : 5.2 - 9; Comments :
None.}*

ADJOURNMENT

Adjournment: 2:25 P.M.

SEN. BOB DePRATU, Chairman

JYL SCHEEL, Secretary

EXHIBIT (frs83sb0111bad)